(137)

UNITED NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/CN.4/1995/25/Add.1
17 January 1995

ENGLISH
Original: ENGLISH/FRENCH

COMMISSION ON HUMAN RIGHTS
Fifty-first session
Item 7 of the provisional agenda

QUESTION OF THE REALIZATION IN ALL COUNTRIES OF THE ECONOMIC, SOCIAL AND CULTURAL RIGHTS CONTAINED IN THE UNIVERSAL DECLARATION OF HUMAN RIGHTS AND IN THE INTERNATIONAL COVENANT ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS, AND STUDY OF SPECIAL PROBLEMS WHICH THE DEVELOPING COUNTRIES FACE IN THEIR EFFORTS TO ACHIEVE THESE HUMAN RIGHTS, INCLUDING PROBLEMS RELATED TO THE RIGHT TO ENJOY AN ADEQUATE STANDARD OF LIVING; FOREIGN DEBT, ECONOMIC ADJUSTMENT POLICIES AND THEIR EFFECTS ON THE FULL ENJOYMENT OF HUMAN RIGHTS AND, IN PARTICULAR, ON THE IMPLEMENTATION OF THE RIGHT TO DEVELOPMENT

Report of the Secretary-General submitted pursuant to Commission on Human Rights resolution 1994/11

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GE.95-10227 (E)

Introduction

1. In its resolution 1994/11, the Commission on Human Rights, aware that the serious problem of foreign debt remains one of the most acute factors adversely affecting economic and social development and the living standards of the inhabitants in many developing countries, with serious effects of a social nature, concerned about the repercussions of structural adjustment programmes in the realization of economic, social and cultural rights and noting with regret the negative effects of the policies adopted to face situations of external debt on the enjoyment of economic, social and cultural rights, requested the Secretary-General to submit, in a process of high-level consultations with heads of State or Government, heads of the multilateral financial institutions and specialized agencies, as well as intergovernmental and non-governmental organizations, a report to the Commission on Human Rights at its fifty-first session on the adequate measures to be implemented in order to find a durable solution to the debt crisis of developing countries so that they may fully enjoy all human rights.

2. In order to prepare for the high-level consultations, requested in paragraph 6 of resolution 1994/11, the High Commissioner for Human Rights, on behalf of the Secretary-General, addressed a letter on 24 October 1994 to Ministers for Foreign Affairs and a letter on 1 December 1994 to heads of the multilateral financial institutions and specialized agencies, as well as intergovernmental and non-governmental organizations, inviting their comments and proposals on adequate measures to be implemented in order to find a durable solution to the debt crisis of developing countries so that they may fully enjoy all human rights.

3. The present report is based on additional information which was received from Governments, United Nations specialized agencies and multilateral financial institutions and non-governmental organizations by 13 January 1995. It complements the report which was prepared on the basis of information received by 23 December 1994 (E/CN.4/1995/25).

I. REPLIES SUBMITTED BY GOVERNMENTS

FRANCE

[19 December 1994]
[Original: French and English]

French policy on debt treatment

4. Rapid improvement in the debt treatment of the poorest countries is one of France's permanent objectives.

5. France has taken a generous approach to the treatment of external debt through large-scale debt cancellation. This represents a very real financial effort for France, which is the leading official bilateral creditor of the poorest countries: 20 per cent of the debt of the 24 countries granted concessional measures by the Paris Club.

6. The debt of the poorest countries is essentially official bilateral debt and therefore the purview of the Paris Club, an informal forum of official creditors chaired by France, which also provides the secretariat. In recent years, the Paris Club has shown a greater capacity to respond to the external financing difficulties of all the indebted countries through agreements that have given them increasingly generous and concessional treatment:

The "Toronto terms" (1988) allowed 20 countries to benefit from a 33 per cent reduction in eligible debt;

The "London terms" (1991) allowed 23 countries a 50 per cent concessional rate and a re-examination of the question of the stock of the debt after three or four years.

7. The Paris Club also showed it could be highly flexible, on a case-by-case approach, in establishing the basis for debt rescheduling agreements, and agreeing to deferred payments on categories of debt not eligible for consolidation.

8. At the bilateral level France has taken several important measures to cancel or reduce debt, particularly debt owed in the framework of official development assistance (ODA) where the multilateral treatment by the Paris Club leaves some leeway to each creditor country to take more generous bilateral measures:

Cancellation of debt contracted by the African and Malagasy States with the investment and Economic and Social Development Fund (FIDES) (1972) for an amount of one billion francs ($180 million);

Cancellation of ODA debt of the world's 16 poorest countries (following an UNCTAD resolution in March 1978) for an amount of 960 million francs ($174 million);

Bilateral and unconditional cancellation, announced at the Dakar summit (May 1989), of ODA debt granted and disbursed before 31 December 1988, benefiting the 35 poorest and most-indebted countries of sub-Saharan Africa. This measure was extended in 1990 to seven non-African LDCs. It involved principal and interest for a total of nearly 30 billion francs ($5.4 billion);

A 5 per cent reduction in interest rates at the Caisse française de développement (CFD), granted to four middle-income Franc Zone countries, announced at the Franco-African summit at La Baule in June 1990, which provided debt-servicing relief in the amount of 300 million francs a year ($54 million);

Establishment of a debt conversion fund for development to benefit the four middle-income Franc Zone States, a measure announced at the summit of the Heads of State of France and Africa at Libreville in October 1992. This 4 billion franc facility ($727 million) makes possible the cancellation of ODA debt, in addition to the realization of development projects;

To accompany the monetary readjustment of the Franc Zone States, the French Government has proposed to Parliament the cancellation of all ODA debt of the poorest countries and half that of the middle-income countries in the Zone, i.e. more than 25 billion francs ($4.5 billion).

9. France is also one of the few countries to use the clauses in the Paris Club agreements that provide for debt conversion, a step that translates into additional debt relief.

10. France considers that the debt crisis, which was treated globally in the case of the middle-income countries, is not over for the poorest countries which are also the most seriously indebted. For these countries, it believes a new approach in debt strategy is needed, one that is generous and at the same time pragmatic.

11. The Paris Club should improve the treatment of the official bilateral debt of the poorest countries. This category of debt constitutes in fact the greatest part of the external debt of these countries as a whole. The idea of global treatment of the totality of a country's external debt is not really necessary nor is it practicable, if only because multilateral debt cannot be rescheduled, and also because very different logics prevail in determining the action of different categories of creditors.

12. France believes it is necessary, in the case of the poorest countries, to raise the concessional rate immediately to 67 per cent of the debt treated. The objective is to treat the full stock of debt of countries capable of implementing a stock agreement, without their subsequently incurring other payment difficulties; this presupposes, among other things, an agreement in force with the IMF.

13. Such an approach should make it possible to provide a real response to the problem of financing faced by the poorest countries. It implies treating official bilateral debt with concessional measures and at the same time

developing multilateral concessional financing, drawing on the resources of international institutions, which should therefore be guaranteed. Such aid should be in addition to direct and indirect bilateral financing.

II. REPLIES SUBMITTED BY UNITED NATIONS SPECIALIZED AGENCIES AND MULTILATERAL FINANCIAL INSTITUTIONS

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

[30 December 1994]
[Original: English]

14. The following statement was made by the representative of FAO at the second session of the Working Group on the Right to Development. It relates to the economic adjustment policies arising from foreign debt and their effect, in particular, on the implementation of the Declaration on the Right to Development.

> "The right to development is a universal and inalienable right by virtue of which every individual is entitled to participate and contribute to economic, social, cultural and political development; as such, it is integral to all fundamental human rights, especially those explicitly treated in the International Covenant on Economic, Social and Cultural Rights, including the right to food.
>
> "Proclamations of the right to food have a long history. In 1948, the General Assembly of the United Nations declared in Article 25 of the Universal Declaration of Human Rights that 'everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food'.
>
> "The States that were party to the 1966 International Covenant on Civil and Political Rights recognized in article 11 'the fundamental right of everyone to be free from hunger', and listed the measures that they would adopt, either individually or through international cooperation, to ensure that this right was upheld.
>
> "The World Food Conference of 1974 solemnly proclaimed that 'every man, woman and child has the inalienable right to be free from hunger and malnutrition in order to develop fully and maintain their physical and mental faculties'.
>
> "Adopted by the FAO Conference in 1985, the World Food Security Compact reaffirmed the moral commitment 'to achieve the ultimate objective of ensuring that all people at all times are in a position to produce or procure the basic food they need', and laid down the principle of world food security as a joint world responsibility.
>
> "Under the aegis of His Majesty Juan Carlos, King of Spain, the Declaration of Barcelona on 'the Food Rights of Man' proclaimed in March 1992 that 'all human beings have the right to sufficient and wholesome food'.

"Most recently, in December 1992, the World Declaration on Nutrition recognized that access to nutritionally adequate and safe food is a right of each individual.

"FAO believes that there can be no human rights for a person debased and defeated by hunger. But it is only through facilitating development that it is possible to allow each individual to enjoy those rights to the fullest extent possible. The complexity of the societal processes (technological, economic, social, political, legal and cultural) that constitute development, however, makes the task of identifying the obligations of the States with respect to development as well as to other rights and freedoms, at either the national or the international level, with any precision very difficult indeed. One approach to determining the exact content of those obligations so that the corresponding rights can eventually become 'justiciable' (i.e. legally enforceable through adjudication), is through identifying the obstacles that hinder their enjoyment.

"The primary purpose of development is individual and social betterment. Although specific obstacles that impede those processes exhibit significant variation across countries and through time, it is still possible to discern sufficient consistencies that would allow the identification of many important common problems from the perspective of enjoyment of fundamental human rights.

"In much of the developing world, the most important obstacles to development relate to the performance of the agricultural sector. That this is so is illustrated by the fact that nearly 800 million people in the developing world are currently considered to be chronically undernourished, not being able to receive a daily diet that is adequate to allow them to lead healthy lives. Further, there are over 2 billion people who are also deficient in one or more of the required macronutrients. Whatever the immediate causes of the maladies of hunger and malnutrition, however, poverty is the common thread that binds the fate of the afflicted millions to these scourges, even in the developed world where they exist.

"It should be noted that the majority of the world's poor live in the developing world, where agricultural activity makes a substantial contribution to their daily subsistence and where most produce food directly to meet some of their own nutritional needs. It is in the least developed of these countries that employment and income opportunities in all sectors, not just agriculture, are significantly limited by the level of agricultural productivity, which closely depends on the capability of the peasants, fishermen, artisans and others to be effective and productive agents, as well as on the relative endowments of natural resources, and the availability of man-made physical capital and economic, social and institutional infrastructure. This means, in effect, that in many parts of the developing world it is very difficult, if not impossible, to disentangle the factors hindering agricultural and rural development from those hindering overall development or from those perpetuating poverty. A corollary of this is that it also becomes difficult to delineate effectively the substantive content of the right

to development from that of economic, social and cultural rights, especially the right to have access to adequate food and nutrition. In other words, the individual is, by virtue of the right to development entitled to participate in, contribute to and enjoy economic, social, cultural and political development in which all human rights, including the right to food, and fundamental freedoms can be fully realized.

"Although the achievement of the fundamental right of everyone to be free from hunger depends ultimately on the abolition of poverty, the hungry cannot wait. The search for world food security, defined as a state of affairs that ensures that all people at all times have both the physical and the economic access to the basic foodstuffs they need to lead healthy and active lives, must include immediate steps to help the vulnerable, as well as long-term measures to bring about economic and social progress that can eventually achieve it. Since attaining adequate and stable levels of food supplies and ensuring access to food supplies on the part of the most needy are the principal means through which the right to adequate food and nutrition can be articulated, the States carry an important share of the burden of the obligations that allow the elimination of all obstacles standing in the way of full enjoyment of that right.

"Despite this, however, it is still possible to identify actions by individuals, as well as by other organizations, that can contribute to this process. The individual, for example, may be called upon not only to work for his own food security but also to concern himself with the food security of those less fortunate than himself. At the practical level, the individuals can play a unique role in keeping public opinion in relatively richer countries, which is often overshadowed by domestic problems, aware of the need for global cooperation in achieving world food security. Individual farmers, in every country and climate, provide indispensable basis for food security. But the farmer is responsible, not only for production, but also for the conservation of the soil and other natural resources bequeathed by nature and our ancestors. The farmer, as custodian of the land resource must conserve it for future generations, avoiding practices which result in erosion or other forms of destruction. Individuals everywhere should interest themselves actively in the efforts of governments and organizations to promote development and food security. The concern of individuals creates the ground swell of support needed by non-governmental organizations.

"These organizations with a concern for world food security, in turn, can stimulate, support and complement the actions of governments, in developed and developing countries alike. In particular, they can contribute directly, through operational and other activities, toward building up higher levels of food security in various parts of the developing world, and indirectly, through creating a climate of opinion favouring measures for food security.

"The obligations of the States to ensure complete global food security continue to be of prime importance at both the national and the international level. They can do this by respecting the rights of the individuals or groups who can take care of their own food security

needs without weakening the possibility for others to do the same; by protecting the rights of the most vulnerable through counteracting or preventing processes which negatively affect and encouraging processes which positively affect their food security; and by fulfilling the right to food through assistance and direct provision to the food insecure.

"More specifically, States should respect the individual's right to food by recognizing:

1. The positive nutritional aspect of existing food production and consumption patterns;

2. The significance of food culture as a part of a wider cultural identity;

3. The customary rights to means of access to food of the vulnerable consistent with basic human needs;

4. The significance of informal and non-governmental institutions in facilitating access to food on the part of the vulnerable;

5. The positive ecological significance of existing food systems;

6. The significance of informal and non-governmental organizations in crisis management.

"States should protect and fulfil the individual's right to food by:

1. Promoting improvements in agricultural productivity, especially in food production, to ensure self-reliance as a first line of attack on food insecurity, focusing particularly on the elimination of poverty through attaining growth with equity, redistribution of economic and political power;

2. Reviewing, adapting as appropriate, and strengthening policies that protect the productive use of land and other productive resources, as well as maintaining or changing land tenure systems to support rural development strategies in ways that are consistent with national and rural development goals, where appropriate through land redistribution, enforcing security of tenure, preserving and adapting or creating systems of broad-based community control and management of land and water rights;

3. Removing disincentives and, where necessary, providing incentives for the promotion of productivity-enhancing technologies consistent with environmental considerations, mobilization of rural savings, and promotion of investment and entrepreneurship in farm and non-farm rural activities;

4. Providing for active encouragement of public institutions in the organization of self-help activities for the mobilization of local human and material resources in rural activities;

5. Promoting people's organizations, including rural workers' associations and cooperatives, to strengthen the participation of the rural poor in decision-making and evaluation of agrarian reform and rural development programmes at the grass-roots level, with special emphasis on the least advantaged;

6. Fully integrating women in the process of rural development based on growth with equity, by ensuring their equitable access to land, water, other natural resources, inputs and services and equal opportunity to develop and employ their skills, considering the indispensable role they play in household food security;

7. Preventing distortion of positive nutritional aspects and correcting negative aspects of existing food production and consumption patterns;

8. Developing national legislation on food safety and incorporating nutritional considerations in relevant development activities;

9. Participating in developing international legislation on food safety and establishing a nationwide system of food control and inspection;

10. Counteracting when necessary influences which may negatively erode positive aspects of existing food culture;

11. Providing greater food security for the poor by setting targets for supplies of essential food and ensuring fair and expeditious distribution during periods of shortages, through building national capacity for early warning and information systems to monitor emergency situations, food reserves and institutions for food distribution appropriate to the circumstances of each country;

12. Seeking cooperative arrangements with other States for strengthening food security through regional early warning systems for detecting agricultural emergencies, joint activities to increase the availability of seeds, fertilizers and other inputs in the area, programmes for the control of migrant pests and diseases, the exchange of experience and information, and, possibly, the creation of regional or subregional food reserves;

13. Making provision for emergency food aid and other forms of relief to poorer countries, attaching, at the same time, importance to measures that would strengthen the productive base of agriculture through the economic and social development process, which would prevent such emergencies arising in the future;

14. Ensuring that low-income food deficit countries can secure their imports of essential food supplies, as well as fertilizers and other essential agricultural requisites, in times of difficulty.

"For the organized international community, the functions served should encourage and promote the national efforts, assist in overcoming obstacles and difficulties and react to gross neglect of these obligations wherever they occur. International monitoring may be of help in encouraging and promoting national food security efforts. Through international monitoring it should be feasible to organize adequate international support and assistance, and to create awareness of food insecurity situations that require special attention."

INTERNATIONAL LABOUR ORGANIZATION

[9 January 1995]
[Original: English]

15. The principal unfinished business in debt reduction today is for African debt, owed largely to official creditors. For many African nations, debt reduction under at least the enhanced Toronto terms (50 per cent forgiveness over a two-year period with prospective repetition) or Trinidad terms (two-thirds forgiveness on the stock of the debt) would assist their economic recovery. It should be noted, however, that continuity of capital flows is also as important as a once-off debt forgiveness. There is a surprisingly long list of African countries where the debt burden is relatively small (interest/export ratios of less than 10 per cent) and where continuity of flows is clearly more important than debt forgiveness.

16. ILO sees a priority need to focus international financial and technical assistance on least developed countries, whose meagre financial resources need to be supplemented by aid while their limited administrative and human resource base has to be strengthened. There is nothing new in this portrayal of the problem. However, new approaches to the provision of financial and technical assistance are badly needed.

17. There is in fact a fundamental point to be made on the role of international financial and economic assistance in the global economic system. This is the proposition that aid policies should be made consistent with other international economic policies. This implies that aid should be functional to the objective of achieving an equitable and well-functioning international economic system. In the case of employment, this means that aid should be directed at strengthening local capacity to design and implement the policies necessary for attaining higher levels of employment and reducing the social costs associated with economic transition or reform. However, it is

imperative that all parties recognize that this effort at capacity building would only make sense in the context of a commitment to a policy and institutional framework that is consistent with the objectives of full employment and social justice. From this perspective, the role of aid is to support efforts to implement the types of policies that are necessary at the national level to complement international initiatives to stimulate global employment growth.

18. Various policy conclusions and resolutions adopted over the recent years by ILO tripartite meetings are relevant to the concerns expressed in resolution 1994/11.

19. The 1987 High-Level Meeting on Employment and Structural Adjustment (Geneva, 23-25 November 1987) concluded that "the heavy debt burden of developing countries has had serious consequences on employment" and referred to the agreement on the measures to overcome the debt problem that had then been reached by UNCTAD VII and embodied in its Final Act, stating that "It is important that this agreement be implemented urgently in a manner that contributes to employment growth and poverty alleviation".

20. Later, in a 1991 resolution concerning structural adjustment, industrial relations and economic and social development, the International Labour Conference, "concerned by the persistence of the problems of debt", called upon member Governments:

> "(a) To take measures to encourage development assistance by an increased flow of official and private sector resources to the developing countries in order to permit them to participate in an equitable and active manner in balanced world economic growth and to contribute to the resolution of the principal economic, social, financial and commercial problems confronting them."

The Conference also requested the Governing Body and the Office to develop the ILO policy in relation to structural adjustment and its implications for employment and labour conditions, and to pursue the dialogue with the international financial institutions in this regard.

21. More recently, the Eighth African Regional Conference (Mauritius, 19-26 January 1994) adopted a resolution concerning structural adjustment and development in Africa, in which, inter alia, the Conference stressed "the need for urgent action to reduce decisively Africa's increasing burden of debt repayment" and invited,

> "through the (ILO) Governing Body, all other ILO member States to provide full support to African countries' efforts to overcome the current crisis and to embark upon just and sustainable development paths, including by:
>
> (a) writing off or substantially reducing the external debt owed by African Governments which respect trade union and other rights relating to the human person and which are unable to repay such debts."

22. Finally, the Tripartite Seminar on the Socio-Economic implications of the Devaluation of the CFA Franc for French-Speaking African Countries (Dakar, 17-20 October 1994) adopted a set of conclusions and recommendations concerning employment, investment and enterprise development policies, which states:

> "It is vital to establish a stable, transparent macroeconomic framework, which would provide incentives and encourage recovery, and to take accompanying measures to ensure the greatest possible success of devaluation and structural reforms, in the medium and long term:
>
> ... (v) continuation of negotiations to write off or reduce the external debt and settle the arrears of domestic payments to allow the States to increase public investment, and enterprises to improve their cash-flows."

23. Details on the ILO approach towards ensuring socially-oriented structural adjustment activity are contained in the Statement of Guiding Principles, reproduced below.

"Statement of guiding principles for ILO field activity on structural adjustment

"1. These guiding principles originated within the framework of the ILO's Inter-Departmental Task Force on Structural Adjustment, Employment and Training, and are intended to provide officials both at Headquarters and in the field with the elements of a consistent approach to whatever structural adjustment activity they may undertake at the country level. Work is currently under way in the Interdepartmental Project on Employment and Structural Adjustment to further develop ILO policy on this matter, and a Second High-Level Meeting is scheduled for 1994 with a view to adopting a more comprehensive policy statement. Nevertheless, it has been considered useful to issue the following statement to ensure consistency among the various activities carried out at Headquarters and in the field on this subject, leaving open the possibility for revisions after the completion of the above events.

"2. The ILO's work at the country level in the field of structural adjustment should be viewed in the context of the opening phrase of the preamble to the ILO Constitution: '... universal and lasting peace can be established only if it is based upon social justice'. This statement provides the core mandate of the ILO and underpins the unique contribution that the ILO can make with respect to structural adjustment. The Declaration of Philadelphia reaffirms and spells out in greater detail this fundamental principle in proclaiming that 'poverty anywhere constitutes a danger to prosperity everywhere'; that 'all national and international policies and measures, in particular those of an economic and financial character, should be judged in the light of and accepted only in so far as they may be held to promote and not to hinder the

achievement of the fundamental objective of social justice'; and that 'it is a responsibility of the International Labour Organization to examine and consider all international economic and financial policies and measures in the light of this fundamental objective'.

"3. The High-Level Meeting on Employment and Structural Adjustment (1987) applied those guiding principles to prevailing economic circumstances. The Meeting called upon major international organizations, including inter alia the World Bank, the International Monetary Fund and the ILO, to assist developing countries in the design and implementation of policies and programmes which take into account the needs and problems of the poor and can be carried out with minimum social cost. The meeting also urged the ILO to remain vigilant in ensuring that full respect for its standards on employment, human rights and tripartism form a integral part of adjustment policies.

"4. It is against this background that the traditional structural adjustment package should be viewed. It normally includes a stabilization phase (short- to medium-term) that aims to reduce budget and balance of payments deficits through cuts in public expenditure and public sector employment and by curbing non-essential imports. Exchange rate adjustments are also generally introduced. The package usually also incorporates a second phase, an adjustment phase (medium- to long-term), which may overlap in time or follow the stabilization effort. Here the aim is to restore or sustain economic growth through basic alterations in the patterns of production and resource allocation, as well as measures aimed at influencing effective demand. Privatization, trade liberalization and deregulation are emphasized, with market forces replacing State control and intervention. There is intended to be a shift from non-tradeable to tradeable goods, while export diversification generally is to be encouraged. Subsidies are expected to be drastically cut, while pricing policy may be used to spur production, especially of food.

"5. From the aforementioned mandates and this thumbnail sketch of the structural adjustment package, the ILO's role with respect to structural adjustment can readily be seen. The ILO should approach structural adjustment from a broader perspective that fully incorporates the social dimension and comprises the following: (1) promoting sustainable growth leading to employment creation; (2) encouraging the incorporation of social aspects, including social protection and institutional capacity-building, in the design stages of structural adjustment programmes; (3) mitigating the social costs of adjustment; and (4) encouraging greater awareness, understanding and acceptance of the importance of the ILO's social and labour concerns and the value of its working methods, and in particular the special significance of tripartite consultations, with respect to structural adjustment programmes.

"6. The first three elements of this ILO role are reasonably well understood. The global recession and the adjustment programmes of the 1980s added a new layer of poverty to the structural poverty that already existed. Stagnation in modern sector wage employment, retrenchment of public sector employees, various forms of open unemployment, more precarious employment relationships and declining wage income are among the many social costs that the ILO must be prepared to address. At the same time, if the ILO's role is to be more than merely reactive, the ILO must encourage and contribute to the search for structural adjustment packages that stimulate productive employment and, at the same time, are socially equitable. This implies that structural adjustment measures should be viewed in relation to the restoration of long-term sustainable growth, enterprise creation, skill development and employment generation, and that their timing be more carefully considered. A more equitable sharing of the burdens of adjustment and the introduction of measures that offer poverty relief while aiming to augment the productive and income-earning capacities of the poor are in line with the core mandate expressed in paragraph 2 of this note. The pursuit of these basic ILO objectives is viewed as being in line with the need to enhance the efficient functioning of the economy and of the labour market. This implies, inter alia, putting in place a sound environment for enterprise growth and higher productivity. Within this overall framework, active labour market policies should comprise an area of ILO strength that is part and parcel of establishing and sustaining an enabling environment that is conducive to employment-oriented growth and development.

"7. Yet, the ILO's labour concerns are broader based and this points to the need to emphasize the fourth element of the ILO role outlined in paragraph 5, namely that the ILO is a tripartite organization whose modus operandi is to strive for a consensus among Governments, employers and workers on the issues that are of common concern. Structural adjustment is a process of economic reform that affects society as a whole. Economic and social objectives as well as considerations of efficiency and equity have to be reconciled. Wider consultation and enhanced involvement of employers' and workers' organizations in the formulation of structural adjustment policies and programmes is a recipe for the broad-based support and social cohesion required for their implementation and sustainability over time. The ILO should actively promote such tripartite dialogue, work to strengthen the capacity of workers' and employers' organizations to play an effective role and actively seek the views of the social partners in the course of all structural adjustment missions in which its officials participate.

"8. Moreover, the ILO, as an organization concerned with social protection, must work to ensure that structural adjustment measures are consistent with respect for ILO standards, particularly the basic human

rights Conventions 1/ as well as Conventions concerning promotion of economic and social rights. 2/ Certain other ILO standards may have special relevance to structural adjustment activity as well. These will depend on the nature and scope of the missions undertaken (see para. 10). ILO officials from Headquarters and the field, when participating in structural adjustment missions, should be cognizant of the relevant standards. They should try to ensure that policy advice is not at variance with the major provisions of such standards and that it is designed to create the conditions in which they can be progressively more fully applied. 3/

"9. From the preceding paragraphs, it follows that the ILO, as a specialized agency within the overall United Nations system, with its own particular mandate, programme and budget, and constituency interests and concerns, has a major role to play in ensuring socially-oriented structural adjustment activity. Sometimes this will be done in conjunction with the World Bank, the IMF, the European Community, UNDP or other United Nations agencies. This is especially true where the ILO perceives that participation, for instance, in particular Bank missions provides an opportunity to influence the introduction of greater social and/or labour content in pending legislation or the design of programmes and projects. But there are other times that the ILO, in broadening the application of socially-acceptable adjustment solutions, will wish to launch its own initiatives, although often with UNDP support. The ILO is well placed to organize multidisciplinary country missions which group together specialists in its relevant fields of competence. In addition to specialists in employment and labour market policy, a typical mission of this character might draw on ILO expertise in such fields as vocational training, small enterprise development, social security,

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"1/ Attention is drawn, in particular, to the Forced Labour Convention, 1930 (No. 29), the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), the Equal Remuneration Convention 1951 (No. 100), the Abolition of Forced Labour Convention, 1957 (No. 105), the Discrimination (Employment and Occupation) Convention, 1958 (No. 111), and the Minimum Age Convention, 1973 (No. 138).

"2/ In addition to the Employment Policy Convention, 1964 (No. 122), these include such Conventions as: the Social Security (Minimum Standards) Convention, 1952 (No. 102), the Minimum Wage Fixing Convention, 1970 (No. 131), the Human Resources Development Convention, 1975 (No. 142), the Termination of Employment Convention, 1982 (No. 158), and the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168).

"3/ See in this regard GB.252/15/1, International Labour Standards and Technical Cooperation."

labour legislation, industrial relations, the informal sector, migrant labour, women workers and labour-based infrastructure construction. Such a mission may be organized by Headquarters and draw largely on staff based in or recruited from Geneva. But it is just as likely to be organized by the field structure, particularly the multidisciplinary teams, and be mostly, if not fully, staffed from within the region. Large missions in the Philippines (1990) and Tanzania (1991) offer useful examples of this latter organizational approach.

"10. A distinction can be drawn between two types of missions. There are those which will operate mainly at the macro-level, examining the employment and social implications of structural adjustment packages and economic recovery programmes. Policy advice will be tailored to the specificity of the national economy and a country's level of development and potential for achieving sustainable growth. But the ILO also will want to field sectoral or target group specific missions to address the particular problems and needs of those who are especially vulnerable to the impact of structural adjustment measures. The terms of reference of these missions may cover such areas as advising on the redeployment of civil servants and assisting in broadening the coverage of safety nets. Yet even here, missions will wish to assess the potential for introducing innovative approaches or differently combining policy instruments with a view to improving labour market functioning and access to jobs and higher incomes. Follow-up advisory and preparatory assistance missions also form part of the services that the ILO can subsequently make available. In addition, these guiding principles for ILO field activity on structural adjustment can take on added significance as the ILO becomes increasingly involved in TSSI activities, as well as the country programme exercises to be carried out by ILO offices and multidisciplinary teams. They should also influence the design of technical cooperation projects that touch on structural adjustment issues and the provision of policy advice and the strengthening of institutional capacity under such projects. Areas of technical cooperation activity which contribute to socially-acceptable adjustment solutions include labour-intensive infrastructure works, social funds and the retraining and redeployment of retrenched workers.

"11. There is a need for constant feedback between country activities and analytical work and programme development at Headquarters in accordance with the Office's overall effort to establish an 'Active partnership'. A consistent ILO approach to structural adjustment will sharpen its message and clarify its relations vis-à-vis the World Bank, the IMF and other key international organizations."

INTERNATIONAL MONETARY FUND

[4 January 1995]
[Original: English]

24. IMF is a monetary institution whose mandate is to promote international monetary cooperation and balanced growth of international trade, thereby contributing to high levels of employment and real income. It stands ready to assist all members as a lender of last resort in return for the adoption of

strong economic policies that provide prospects of repayment, thus protecting the revolving nature of its funds. The implementation of strong macroeconomic and structural policies is therefore the cornerstone of a durable solution to the debt problem in developing countries. While IMF is not a manager of the debt repayment process, given its mandate, it incorporates in its programmes the normalization of relations with creditors. This frequently involves rescheduling of debt service and arrears through the Paris Club. Here, IMF helps assess financing needs and payments capacity, and thus assists creditors and debtors in arriving at negotiated solutions.

25. Many low-income developing countries which are heavily indebted to official creditors continue to face serious debt and debt service problems and the debt situation remains extremely difficult for some of them. However, the debt problem needs to be put into perspective:

(a) Reschedulings, increasingly on concessional terms, have brought down actual debt service to less than 25 per cent of the amount due and to around 20 per cent of exports of goods and services for 27 low-income countries during 1991.

(b) Over the past three years, these countries have obtained fresh money on concessional terms in amounts which were four to five times actual debt service payments.

(c) Many low-income countries, despite reschedulings and new financing, face debt overhangs preventing them from reaching external viability in the medium term and they would still need exceptional financing. These countries' debt overhang can only be removed by "stock-of-debt operations", as envisaged under the menu of enhanced concessions agreed by the Paris Club in 1991, which would reduce the present value of restructurable debt by 50 per cent (including the debt reduction obtained under earlier write-offs and enhanced concessions).

(d) For a few countries, the reduction by 50 per cent in present value terms would still be insufficient. In this context, the Fund very much welcomes the mid-December 1994 decision of the Paris Club to extend the level of debt reduction to 67 per cent of restructurable debt for most of the poorest countries. It is expected that these new "Naples terms" would resolve the debt problems of most, though not all, of these countries.

26. Regarding multilateral debt, the high net disbursements to low-income countries in recent years have increased the share of multilateral debt in their total public external debt from 30 per cent in 1984 to 42 per cent in 1993. At the same time, reflecting the shift in multilateral lending - in particular, by the World Bank - towards more concessional loans, the share of concessional debt in multilateral debt has also increased (from 63 per cent in 1984 to 73 per cent in 1993). As a result, debt service to multilateral institutions has remained low, at around 10 per cent of exports of goods and services over the past decade, except for a few cases where debt service to multilaterals is in a range of 16 to 37 per cent.

27. In the Fund's view, debt forgiveness by the multilateral institutions would not be desirable. These institutions have played, and will continue to

play, a central role in the financing of developing countries and economies in transition, as well as in establishing the framework for support by other creditors and donors. Debt forgiveness would seriously impinge on the effectiveness of the Fund by undermining its preferred creditor status and the revolving nature of its resources. At the same time, the Fund has stressed the importance of ensuring that lending by multilateral institutions to low-income countries be provided on concessional terms in support of strong economic policies.

28. Regarding debt to commercial banks, so far there has been little progress in improving low-income countries' access to commercial financing and much remains to be done to improve the creditworthiness perception of these countries through a sound and stable economic policy environment. A number of low-income countries have high commercial debt burdens and many of them have also very limited resources to finance the cost of a simple buyback of commercial bank debt. Furthermore, the secondary market price of the debt might not be reflective of the debt-servicing capacity of those countries. The Fund believes that in those circumstances creditors need to show additional flexibility by being willing to accept terms more explicitly tied to an assessment of these countries' limited debt-servicing abilities.

29. Middle-income developing countries have obtained reschedulings of official debt to Paris Club creditors on non-concessional terms. In this group, most countries have graduated from the Paris Club rescheduling process or are expected to do so at the end of their current agreements. Significant advances have been made in resolving commercial bank debt problems, with several countries concluding restructuring agreements with their commercial creditors. At the same time, many middle-income countries have regained access to private market financing, but the sustainability of these flows will depend on maintaining a strong economic policy environment.

III. REPLIES SUBMITTED BY NON-GOVERNMENTAL ORGANIZATIONS

CENTRE EUROPE-TIERS MONDE

[15 December 1994]
[Original: French]

30. The current debts of the Third World could easily be cleared off. As the United Nations Development Programme (UNDP) forcibly pointed out in its last Human Development Report,

> "For developing countries, debt is a major constraint on economic growth and on investment in human development. In 1992 alone, they had to pay $160 billion in debt service charges - more than two and a half times the amount of ODA, and $60 billion more than total private flows to developing countries in the same year."

31. The International Monetary Fund's (IMF) structural adjustment programmes (SAPs), the stated objective of which is to control debt, have met in this regard solely with failure which is as patent as it is significant. The same report states:

> "The total external debt of developing countries grew fifteenfold over the past two decades: in 1970, it was $100 billion, in 1980 around $650 billion and in 1992, more than $1,500 billion. Because of the service charges, developing countries now pay more than they receive ... Despite several attempts to find a satisfactory solution, the total debt of developing countries continues to grow."

32. What is even more serious - as a number of NGOs are continually pointing out - is that the SAPs are imposing terrible hardships, which are as counter-productive as they are inhumane, on the poor peoples of the South (and now of the East).

33. The "debt problem" is primarily political. A few years ago, the problem of Third World debt hit the headlines of the newspapers. At that time it was feared that some seriously indebted country in the South would declare itself bankrupt and that the entire international financial system would collapse like a house of cards; the incautious Western bankers were scared and, discarding their neo-liberal tenets, begged the rich States of the North and the international financial institutions for help. They had to balance their books - and quickly ...

34. Those times have passed, and the principal effect of the IMF's policy in this field has been to "normalize" debt. Although the total amount of indebtedness has more than doubled since those frantic times, the creditors now breathe easily; interest rates are coming down and everything is running smoothly - well, fairly smoothly. The machinery has been "run in", and, as the UNDP report says, "the debt problem of the poorer nations is nowhere near a solution".

35. All the evidence suggests that the perpetuation of Third World debt is the outcome of a deliberate political intent. First of all, it is clear that international financial imbalances will continue to grow for as long as the structures of the world economy remain governed by unequal terms of trade. Contrary to the statements by UNDP, the theses of Samir Amin and others have lost nothing of their fundamental validity in this area. In addition, the economic pressures which initially gave rise to Third World debt - an overabundance of capital seeking investment opportunities, the over-hasty creation of artificial industrial outlets - are still far from having subsided.

36. But in addition, all the evidence suggests that there is a deliberate political will to maintain Third World indebtedness. The latter is a powerful political instrument for keeping Southern Hemisphere countries in a state of subjection, while often giving their ruling classes convenient excuses for the implementation of anti-social policies. The IMF has been the instrument of this strong-arm policy; it has at the same time prepared the way for the adoption of the GATT agreements (the consequences of which will certainly be catastrophic for the great majority of the poorer peoples of the world). The objective for the transnationals was to nip in the bud any feeble attempts by the nations of the South to affirm their sovereignty, to choose their own

paths to development. The IMF, which began simply as a technical institution, has, thanks to the existence of the debt, found itself placed in the vanguard of world policy. In a word, debt not only yields a juicy profit; it is also, and above all, a fantastic instrument of power.

37. The elimination of the current debts of the Third World would not give rise to any major problems, at least from the technical standpoint. In an earlier statement (to the forty-fifth session of the Sub-Commission) CETIM described realistic proposals advanced by various movements. The first step proposed was an examination of the legitimacy of each of the individual loans making up the debt. In other words, each one would be scrutinized from the standpoint of (in the language of economists) co-responsibility and risk-sharing. On the basis of these principles one would then:

(a) Undertake an audit of the legitimacy or the legality of each loan advanced, the identity and responsibilities of debtors and creditors and, accessorily, the origin of the sums lent;

(b) In the light of the information collected, establish an independent international commission with jurisdictional status to evaluate the distribution of responsibilities for each loan granted, the origin of the capital originally loaned and the destinations of capital which has disappeared;

and subsidiarily:

(c) Freeze the assets abroad of the rulers of countries in debt (it would be up to the persons concerned to prove that they had come by them legitimately);

(d) Investigate the tax abatements and write-offs by which the banks were enabled to cover their losses.

38. There would remain the debts recognized as legitimate. There are no pointers which would enable us to guess exactly how much they might amount to. But even if we accept the present figure of $1,500 billion, that amount could be easily and very rapidly repaid. To that end, it would suffice to take up the proposal made as early as 1978 by Nobel economics prize-winner Tobin to check the fast-growing purely speculative financial flows, and judiciously evoked at this time by the UNDP (ibid., p.65) - the levying of a tax on international capital transfers.

> "The daily amount of transactions on the money markets increased from $290 billion in 1986 to over $700 billion in 1990. In 1994 the amount of these uncontrolled financial flows will reach $1,300 billion per day." (Clairmont and Cavanagh, in Le Monde diplomatique, March 1994).

39. A tax of 0.3 per cent 1/ would clear off practically the whole of the debt (regardless of what proportion of it is legitimate) in less than a year.

40. Centre Europe-Tiers Monde (CETIM) notes the serious shortcomings of the Bretton Woods institutions, particularly in regard to SAPs:

(a) In effectiveness: Deflationary effects of reduced consumer subsidies; perverse effects of measures to promote export products (fall in prices due to market saturation); deterioration in levels of investment (public, local and/or foreign); promotion of a market geared to foreign trade, with virtually no correctives and in which the State has a minimal role;

(b) In equity: Deflationary effect of stabilization reducing real incomes, above all for the poorest; 2/ measures to cut public expenditures with disastrous consequences on the populations of the developing countries (health, education, etc.); greater inequalities, already very sharp to begin with, when conditionalities are evaluated essentially on the basis of economic and geopolitical considerations rather than a concern to meet real needs;

(c) In human rights: Worsening economic conditions often lead regimes to "defend themselves" with police systems that create - and maintain - the large disparities in incomes to the benefit of the ruling classes and at the cost of frequent human rights violations; the use of such police systems is made all the easier, allowing for exceptions, in that IMF does not in its SAPs require a reduction in military budgets and arms purchases abroad, 3/ justifying this very special "non-intervention" as respect for the sovereignty of States.

41. Accordingly, CETIM wishes to emphasize the following points:

(i) Development aid programmes and, more generally, development policies, cannot be shaped or implemented by a bank or any other supranational financing body or authority that pursues purely macroeconomic objectives. The economy has to be at the service of development, not the other way round. Hence, a reshaping of the Bretton Woods institutions is essential, so that they will implement and ensure the implementation of economic, social and cultural rights and individual and collective rights, in keeping with the decisions taken by the United Nations;

(ii) If structural adjustments are sometimes necessary, the matter must be appraised and the policies must be worked out at the regional, not the world, level. Moreover, SAPs should take into account the actual capacity of each State and incorporate the data relating to the political and cultural context and actual historical development of the particular country. SAPs should be designed, undertaken and executed under the responsibility, above all, of the actors concerned in the developing countries, so as to help meet the needs of populations; this must be done in terms of the local context and not to strike a macroeconomic or financial balance;

(iii) In the short term, evaluation of SAPs from the standpoint of effectiveness and equity should mean that they are reformulated in keeping with the main points set out above and with the priority objective of achieving a steady improvement in human development indicators. In particular, reformulation of this kind should seek to offset the decline in incomes of most of the population, the fall in commodity prices and the reduced capacity for State intervention in economic and social affairs, and should endeavour

to introduce effective voluntarist programmes to fight poverty. In the short term, too, it is essential for a SAP to go hand in hand with proper support programmes for social policies that are indispensable for the development of the population (health, education, etc.) and of infrastructures. Recently, IMF has reportedly started to channel part of its loans to target the groups most affected by the reforms. 4/ To prevent this from becoming a purely publicity move, Member States, spurred by their own public opinion, must bring pressure to bear so as to speed up and greatly expand this new trend and promptly produce new SAPs tailored to human development. In this regard, special attention should be paid to external debt management that is no longer marked by economic recolonization in the successive renegotiations and by the consequent privatizations;

(iv) CETIM endorses the recommendations of the Vienna Conference, which affirmed that the right to development is an inalienable right and an integral part of human rights. The Conference called for an in-depth examination of policies and programmes undertaken both inside and outside the United Nations, to ensure that they do not have an adverse impact on the promotion and protection of human rights. It would be especially important for military budgets, particularly arms purchases, to be reduced. This measure should be accompanied by reinforced United Nations control of the international arms trade. This recommendation also concerns the developing finance institutions. The signatories therefore call for a proper evaluation of the policies of the World Bank and the International Monetary Fund.

Notes

1/ Tobin proposed 0.5 per cent. UNDP, which attributes other functions, equally useful but in no way incompatible, for the funds collected, proposed 0.05 per cent. Naturally, productive capital flows, transfers by migrant workers, etc. (and also debt service payments, for such time as they continued) would be exempt from the tax.

2/ Cf. the widening gap in incomes between the richest and poorest in most countries with SAPs; Human Development Report, UNDP, 1992 and 1993.

3/ Indeed, countries which spend more on their military budget receive more ODA than do other countries; UNDP, op. cit.

4/ Interview with Mr. J. de Groote, Le Soir, 23 March 1994.